



CITY OF BELMONT
AUDIT COMMITTEE MINUTES
Regular Meeting – March 13, 2014

Committee Members Present: Violet, Braunstein

Committee Members Absent: Reed

Staff Present: Finance Director Fil, Deputy Finance Director Lazzari, and Management Analyst Voelker

Others Present: Mark Wong, Partner, Maze & Associates (Invited) and Grace Zhang, Maze & Associates (Invited)

The meeting was called to order at 4:18 PM.

Moved by Chair Violet, the November 8th minutes were unanimously noted and filed.

Mr. Wong from Maze & Associates, the City's independent audit firm, presented on the FY 2014 Audit Plan. He noted that the interim audit will begin next week, and his team of auditors will be back for two weeks in August for the final audit. He briefly reviewed the tests and assessments that are planned for this audit, including a risk assessment, physical assets testing, and a test of the City's cash handling process. He went into further detail to explain.

Mr. Wong informed the Committee that there are no new accounting standards for FY 2014, so this year's audit should be less complex than the prior year. The audit will also include a follow-up of the Successor Agency's pending litigation with the state. He then briefly reviewed a list of the deliverables for the FY14 audit and noted that the issuance of the final report/opinion will meet the City's deadline for issuing the Comprehensive Annual Financial Report (CAFR) on time, in early October.

Mr. Wong then led into a discussion on fraud communications. During this time, he conducted a fraud questionnaire with the members of the Audit Committee regarding any knowledge or suspicion of fraud or fraudulent financial reporting within the City. At the completion of the questionnaire, Mr. Wong encouraged the Audit Committee to contact him, should they have any questions or concerns.

Director Fil noted that the Successor Agency's pending litigation is still a contingency liability for the City, so that will show up during the audit. He further added that, although the San Juan Canyon advance has been cleared, a new advance has been created for the Downtown revitalization effort. Overall, staff is expecting the audit to go well. There have been no changes in staff, but there will be a banking change during this time, as the City will be banking with Wells Fargo as of May 1st.

Chair Violet then moved to Item 5B – Annual Audit Committee Reorganization. Chair Violet moved to nominate Committee Member Braunstein to serve as the Vice-Chair. The motion was seconded by Committee Member Braunstein, and by unanimous voice vote, Committee Member Braunstein was appointed as Vice Chair of the Audit Committee.

Moving on to Item 6, Director Fil explained to the Audit Committee that staff is contemplating a new process for updates to the City's financial policies. The new process will include a memo to the Audit Committee, which will include the entire body of the new or updated policies based on updated Best Practices as recommended by the Government Finance Officers Association (GFOA) and other Best Practice organizations. Discussion ensued regarding the City's financial policies. Director Fil explained that the City's financial policies are meant to be a guide, rather than directives. He stated that staff will bring this memo to the Audit Committee at the next meeting, and the Audit Committee can then transmit the memo to the City Council as a Matter of Interest.

The Committee discussed the next meeting date and agreed that the Spring meeting can be scheduled on an "as needed" basis, and the Summer meeting will be scheduled for mid- to late July, time and date to be determined.

The Committee then moved to Agenda Item 8 to discuss the potential future agenda item regarding Enterprise Fund Policy. Chair Violet gave a brief background on this item, which was included on the agenda months ago as a placeholder for future discussion at Committee Member Braunstein's request at the August 2, 2012 meeting. Committee Member Braunstein reiterated that, if the General Fund is going to continue to subsidize Enterprise Funds, a clear policy should be included in the Budget document stating such. Director Fil recalled that the General Fund support of the Recreation Fund and Development Services Fund was implemented as a directive by Council at a budget hearing several years ago and can be changed, as per the Council's decision. Discussion ensued. Committee Member Braunstein stated again that he still wants to see this policy spelled out in the Budget document. Director Fil responded that staff will research the legislative history whereby Council directed the level of support for the Recreation Fund.

The meeting was adjourned at 5:20 PM.

Sincerely,

Thomas Fil
Finance Director